

COMMONWEALTH OF VIRGINIA

SENATOR MAMIE LOCKE, Chair
DELEGATE DANIEL MARSHALL, III, Vice-chair
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VIRGINIA HOUSING COMMISSION

SUMMARY

Virginia Housing Commission
October 6, 2015, 2:00 PM
House Room C, General Assembly Building

I. Call to Order

Delegate Danny Marshall, *Chair*, called the meeting to order at 2:00 PM.

Members in attendance: Delegate Daniel W. Marshall, III, *chair*; Senator Mamie E. Locke, *vice chair*; Senator George L. Barker; Delegate Betsy Carr; Delegate Barry D. Knight; Delegate Christopher K. Peace; Mark K. Flynn, *Governor Appointee*; T.K. Somanath, *Governor Appointee*; and Laura D. Lafayette, *Governor Appointee*.

Staff: Elizabeth Palen, *Executive Director of VHC*

Meeting Objective:

Hear best practices from other states concerning land banks and learn applicability of those practices to Virginia's localities.

II. Land Banking

Note: These are the questions asked by the members concerning the presentations of Thomas J. Fitzpatrick (Land Banking in Ohio) and Kim Graziani (Land Banking: One Tool to Address Blight in Virginia). Both presentations with supplemental materials are available at the following link: <http://dls.virginia.gov/commissions/vhc.htm?x=mtg>.

Thomas J. Fitzpatrick, *AVP, Credit Risk Management, Federal Reserve Bank of Cleveland; Board of Directors, Cuyahoga County Land Reutilization Corporation (commonly known as Cuyahoga Land Bank)*: For information on this presentation please check under "materials."

- **Jennifer Giovannitti**, *Regional Community Development Manager, Community Development, The Federal Reserve Bank of Richmond*: Regarding the issue of under-used and troubled properties, we see states using land banking to achieve better results. There has been a rapid increase in interest in land banks. It is important to recognize that Virginia communities may not fit the traits for the best-known land bank areas.
- **Delegate Christopher K. Peace**: Can you talk more specifically about brownfield communities.
 - **Fitzpatrick**: There have been a couple ways this was done in Ohio; the land bank could literally act as a holding company.

DELEGATE DANIEL W. MARSHALL, III
DELEGATE DAVID L. BULOVA
DELEGATE ROSALYN R. DANCE
DELEGATE BARRY D. KNIGHT
DELEGATE CHRISTOPHER K. PEACE

SENATOR MAMIE E. LOCKE
SENATOR JOHN C. WATKINS
SENATOR GEORGE L. BARKER

MARK K. FLYNN
LAURA D. LAFAYETTE
T.K. SOMANATH

- **Peace:** I believe some of those brownfield grants have a cap for remediation. If so, would you have to put a funding stream together in addition to those grants?
 - **Fitzpatrick:** Like any other large scale remediation, a project like this requires careful consideration, ideally with a partner on the back end and some funding on the front end.
- **Delegate Peace:** I think you could also mitigate some of the costs of remediation with structured parking, etc.
 - **Fitzpatrick:** What you need is a partner to coordinate all these moving pieces.
- **Laura D. Lafayette, Governor Appointee:** When there is a disposition of the property, do you enter into a development agreement with the nonprofit or have you already made a decision to send it out the door?
 - **Fitzpatrick:** It depends on the relationship. Better having a development agreement is the ability to cut them off in the future. Through that ability, we are also to ensure we hold true to what we were promised.
- **Lafayette:** In the enabling legislation, did it speak to the nature of the tax lien? Is the land bank held responsible for that?
 - **Fitzpatrick:** Everything comes to us clean. The land bank has the ability to direct tax foreclosures. The ability to direct those is related to the selection process. That way the properties selected come through foreclosure with everything wiped.
- **Lafayette:** Do you have a sense of the real estate income that has accrued to the jurisdiction since you started to land bank since putting these properties back on the tax rolls?
 - **Fitzpatrick:** We estimate, based on the properties that have passed through the land bank and their known area of impact and the taxed assessed values, that \$150 million in taxable value is preserved. That results in \$5-6 million in tax revenue.
- **Marshall:** In Ohio, is it mostly residential or commercial?
 - **Fitzpatrick:** It depends on each county. In the south, it's been mostly all commercial. In my county, it has been mostly all residential. It depends on the need of the county.
- **Marshall:** When the legislation started, were there any tax advantages that the state gave to the developers?
 - **Fitzpatrick:** Not explicitly. The real advantage is that they are able to wipe these back taxes.
- **Marshall:** Ohio chooses whether or not to give a discount on the property. Is there a set of guidelines on this?
 - **Fitzpatrick:** There are not. It's important in these cases to know the neighborhoods and the market.
- **Marshall:** Did the Ohio legislation set up a statewide oversight committee or provide oversight by locality?

- **Fitzpatrick:** Everything is done by county. The closest thing to state oversight is the state auditor.
- **Lafayette:** What percentages of properties have been disposed of for nonprofits versus the private sector?
 - **Fitzpatrick:** I would say the vast majority of properties go to nonprofits. As for private sector business, those numbers have grown substantially, too.
- **T.K. Somanath, Governor Appointee:** Is there a model to determine the cumulative effect of a land bank on a particular area?
 - **Fitzpatrick:** There is a spatial hedonic model to measure the impact of activity on surrounding areas. The problem with any empirical study is sample size. When you start looking for critical mass and add in other private rehabs, you get fewer observables and it's hard to do an empirical study.
- **Marshall:** How to you sell these properties?
 - **Fitzpatrick:** Most of these properties are not MLS. The vast majority we advertise on our website. We have mailing lists. We work with nonprofits to get the message out. Working with our chamber of commerce, we put commercial properties on their website.
- **Marshall:** Are you getting developers from the area or outside your area?
 - **Fitzpatrick:** In my county, we have not had developers from outside the region. A lot of the individual end users come from partnerships with local government and nonprofits. In general, they are in region end users.
- **Marshall:** What percentage of properties are either sold or rehabbed?
 - **Fitzpatrick:** The vast majority are demolished and then sold as vacant lots. We've done maybe 400 rehabs, and we've handled a total of 2,700 properties since 2009.
- **Marshall:** You will sell a property that still has "good bones" at a discount. Is there a timeframe for the individual who purchases the house to renovate the property?
 - **Fitzpatrick:** From the point of marketing to the point of acquisition of a rehabber, we will give six months to rehabilitate the property. If no one shows interest in that time, the property with its "good bones" will be slated for demolition. Once you acquire, usually six month to a year is given to bring it up to code.
- **Lafayette:** Is this property available to "flippers"?
 - **Fitzpatrick:** We sell both to private sector rehabbers and to owner occupiers. You can flip as long as it brings the property up to code and you have a good reputation.
- **Marshall:** Are they defined? What do you look at to determine a qualified buyer?
 - **Fitzpatrick:** A qualified buyer is not defined in the legislation itself, but on our website there are steps to become a qualified buyer.

Kim Graziani, *Vice President and Director, National Technical Assistance for the Center for Community Progress*: For further information on her presentation, please see the section titled “materials.”

- **Delegate Marshall:** With regard to established dedicated funding mechanism, state law does not require that but do they mention it?
 - **Graziani:** In the template legislation, we have a section that allows the state to decide the revenue stream. It is not required. Outside of Ohio, the only dedicated funding source is the tax recapture.
- **Marshall:** Do most localities need to put up seed money to get the ball rolling?
 - **Graziani:** It’s a combination of seed funding and in kind in-kind services.
- **Delegate Marshall:** Can you discuss some other funding options, other than seed funding, as opposed to just appropriating funds in the budget?
 - **Graziani:** In order of percentages: most communities get their funding from their local units of government; second, the property sales; third, the property tax recapture, which is in most all recent legislation; fourth, philanthropic funding; last, revenue from actual services provided.
- **Marshall:** Do you see most land banks as public authorities or are most an arms’ length away from local government?
 - **Graziani:** Recently, they are definitely nongovernment in their corporate structure.
- **Marshall:** Why is that, and what are the advantages and disadvantages?
 - **Graziani:** The primary advantage is to have an independent entity that is solely focus focused on the properties that no one else wants to focus on. The ability to have a more nimble, responsive nature is another advantage. Having an independent entity allows some further funding mechanisms that could not go to local government.
- **Lafayette:** In your resources, is there a list of dedicated funding streams? Do you all compare which communities have land trusts operating in tandem with land banks and then housing authorities?
 - **Graziani:** Yes and no. To having the list of dedicated funding streams, that is located in two areas: one, in the back of the land banks, and land banking book is a comparison of the last 10 states that passed legislation; two, in the take-it-to-the-banks book, we give percentages of funding sources used by each land bank.
 - To the second question about the overlap of land banks and land trusts and housing authorities, we just put together a map of land bank and land trust overlap. We do not have it for housing authorities. There is a lot of overlap and there will be more information on this posted on our website in a month or so.

III. Work Group Updates

- **Housing and Environmental Standards**

- **Elizabeth Palen**, *Executive Director of VHC*: The Housing and Environmental Standards Work Group heard from Senator Adam Ebbin about his asbestos bill, and he would like to speak on November 5 to the whole commission. We also discussed abandoned oil tanks and septic systems and decided we would not have legislation going forward this session on those issues.
- **Neighborhood Transitions and Residential Land Use**
 - **Palen**: The Neighborhood Transitions and Residential Land Use Work Group met in July and discussed the early termination of rental agreements when a court has determined stalking has taken place. An outside work group is preparing legislation to bring this issue to the next full commission meeting. The Work Group was scheduled to hear from Delegate Morris on the preapproval of site plans, but he was unable to attend the last meeting and the issue was not discussed.
 - The City of Portsmouth gave a presentation on recurrent flooding. Because there is a Joint Subcommittee dedicated to the study of recurrent flooding, it will handle legislation on that topic.
- **Affordable Housing, Real Estate Law, and Mortgages**
 - **Palen**: The Affordable Housing, Real Estate Law, and Mortgages Work Group discussed offender reentry and will continue to discuss that issue in our meeting on October 20. The Work Group will also discuss the Virginia Housing Trust Fund and will likely have legislation coming forward at that time concerning those issues.
 - The Work Group also discussed fair housing and status as a veteran and decided that was not an issue going forward and discussed fair housing in relation to sexual orientation, which was put on hold to possibly discuss at the end of this year.
- **Common Interest Communities**
 - **Palen**: The Common Interest Communities Work Group plans to meet before the October 5 meeting to discuss rights and responsibilities of owners and common interest communities.

IV. Public Comment

- **Delegate Marshall** asked for any public comment.
- **Donna Sayegh**, *Citizen of Portsmouth*: She spoke out against sustainable policy and development. There would be a more even distribution of property and less poverty if the federal government would act within the natural laws and not use government sanctioned monopolies.

V. Adjourn

- Upon hearing no further request to comment, **Delegate Marshall** adjourned the meeting at 3:45 PM.